The remunicipalisation of Paris’ water supply service

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Outline of the presentation

- Part 1 – Background information on water service provision
- Part 2 – The reform process
- Part 3 – Benefits of the reform
PART 1

- BACKGROUND INFORMATION ON WATER SERVICE PROVISION
Paris’ current water supply system
A densely populated city with no individual customers

- 2.2 million inhabitants within 100 km²
- 3.5 million daily consumers including commuters and tourists
- 93,000 subscribers
- Daily consumption of 550 000 m³
- A 1,800 km long water network
- 470 km of aqueducts
- 1.1 Mm³ of water storage capacity
- A water supply network efficiency of 95% / Leakage rate of 5%
- 50,000 water samples analysed every year (300,000 parameters)

Avre aqueduct
France’s approach to water service provision

- **Local authorities** have the overall responsibility for providing drinking water

- **Service provision:**
  - **Direct Public Management**: ownership and service provision are concentrated in one public body (municipality or group of municipalities)
  - **Delegated Private Management**: a private company performs the day-to-day activities necessary for the provision of the service. The local authority is responsible for regulation and monitoring

Delegated private management is the most common form of water service management and operation with a control of **72% of the population** predominantly in large and medium-sized towns
Since the 1990’s independent reports have pointed out large scale malpractices within the system:

- **No procurement procedure** required to award contracts to private water operators
- Contracts can last for decades
  - The adoption of 1995 Sapin Law tackled these issues
- **Weak approach** by public authority figures in regulating and monitoring private water operators
- A complete lack of transparency in the financial practices of private operators
- An escalation of the **price of water**
- Multiple parties including both environmental and consumers associations have applied continuous pressure for reform and transparency in water service management
PART 2

- THE REFORM PROCESS
Paris’ water service: a delegated private management for 25 years

- Until 1984: water supply is **publicly-managed** with the exception of customer services that are delegated to Veolia

- 1984: Decision by the Mayor of Paris to delegate Paris’ water supply service ⇒ **three private entities** are introduced in two stages (**without a proper procurement procedure**)
  - **Water distribution and customer services** are delegated to two private operators in 1985 for a 25-year period:
    - Eau et Force on the left bank of the River Seine (Suez)
      - 27,500 subscribers
    - Compagnie des Eaux de Paris of the right bank of the River Seine (Veolia) - 65,000 subscribers
  - **Water production and transport** to Paris are delegated to a semi-public company (SAGEP) in 1987 for a 25-year period
    - Shareholding: Ville de Paris (70%), Suez & Veolia (28%)
Paris' water supply prior to the reform

MAIRIE DE PARIS
- Responsible for water service provision
- Regulates the service
- Controls water operators

Concession

Lease

WATER PRODUCTION
- Production
- Transport
- Quality control

WATER DISTRIBUTION
- Bulk-selling
- Water quality control
- MINISTRY OF HEALTH
Contracts with the three operators:
• concluded and awarded without a formal procurement procedure for a prolonged period of time (25 years)
• lacked specific and challenging objectives

Numerous public reports notably denounced the practices of private operators in Paris:
• Loss of technical expertise by the local authority
• Lack of transparency in private operators’ management and a total profit-orientated approach (secured revenue)
• No platform for regulating private operators:
  ▪ Technical objectives absent
  ▪ SAGEP assigned by the municipality to control the activities and practices of Suez and Veolia (SAGEP shareholders)
“The wind of change”

2001: Change in political order (Bertrand Delanoë is elected Mayor of Paris)

2002: A specialised unit is set up within the municipalities’ services, with the responsibility of policing the activities of private operators, financed by a charge given to water users

2003: Negotiations between Paris and the three operators with the objective of rectifying the inadequacies of the contracts:

- Implementation of an ambitious investment plan to be carried out by Veolia and Suez without any impact on water tariffs (153 M€)
- Adoption of detailed objectives, notably to improve the water network efficiency
- Veolia and Suez to part with their shares in SAGEP
A political ambition to reform the service

*In spite of positive outcomes problems remain (overlapping, financial monitoring, etc.):*

- **2006:**
  - Studies (legal, economic, etc.) are launched to explore pathways to improvement
  - A steering committee derived from members of the Council of Paris is established to oversee these studies

- **2007:** The remunicipalisation of Paris’ water service appears in the Mayor’s campaign manifesto as a key item

- **March 2008:** B. Delanoë and the same left-wing coalition are re-elected
Steps leading to the reform

- April 2008: Legal and administrative implementation of the reform with the objective to complete the remunicipalisation by 31 December 2009

- November 2008: Council of Paris deliberates regarding the establishment of the public entity Eau de Paris
  - A political decision: water is a public good and should be managed directly by the local authority
  - An administrative decision: managerial efficiency and optimisation
Steps leading to the reform (contd.)

- 1 May 2009 - Water production activities transferred to Eau de Paris & SAGEP dissolved
- 2009 – Negotiations with:
  - the unions on the drawing up of a collective agreement for the staff from the private operators
  - Suez & Veolia on the purchase of all the water distribution equipment and the transfer of staff
- 31 December 2009: Water distribution activities transferred to Eau de Paris
Paris' water supply after the reform

MINISTRY OF HEALTH

- Responsible for water service provision
- Regulates the service
- Monitors Eau de Paris

MINISTRY OF HEALTH

- Production
- Transport
- Quality control
- Investments
- Customer services
- Billing

Water quality control
PART 3

- BENEFITS OF THE REFORM
Positive outcomes of the reform

- The remunicipalisation enables **easier control** and **oversight** from:
  - the municipality
  - a participative body, the “Observatoire de l’eau”, mainly comprised of water users

- Revenues derived from the services provided are **reinvested** into Eau de Paris resulting in:
  - improved control of the price of water
  - the development of social measures to ensure the Right to water for all
A better regulated service

- Regulation implemented by means of a memorandum of understanding (MoU) between Eau de Paris and the municipality
- Numerous performance indicators introduced in the MoU to guarantee service standards and efficiency
- Continuous monitoring of Eau de Paris’ performance through regular technical meetings between Eau de Paris and the municipality
- Annual activity report submitted by Eau de Paris to the Council of Paris ensuring that all points of the MoU are fulfilled
- Benchmarking exercise carried out (France & Europe)
The « Observatoire parisien de l’eau »

- A participative body that is a platform and a channel for the transfer of information, discussions and debates on water issues.

Objectives
- A support to the municipality in defining and implementing its water policy;
- A link between citizens and the municipality to raise concerns and transmit requests from users;
- To inform Parisians on current issues related to water.

Members
- Representatives of water users
  - Public & private housing management agencies
  - Tenants associations,
  - Consumer associations,
  - Trade unions,
  - Environmental associations
- Members of the Council of Paris and of local Councils
- Technical partners of Paris’ water service
Active involvement on all water-related subjects

- Example of issues tackled by the “Observatoire”
  - Water service reform (service administrative rules, Memorandum of Understanding)
  - Elimination of all lead pipes in the water network following reinforced European regulations on lead concentration in water
  - The Right to water for all
  - and more recently the reduction of water tariff

- Modus operandi
  - Organisation of a consensus conference on the future of Paris’ non-drinking water network
  - Setting-up of working groups on technical subjects
  - Organisation of meetings open to the general public
  - Participation of a member of the “Observatoire” in Eau de Paris’ administrative council
An innovative approach to water governance

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<thead>
<tr>
<th>Administrators with voting rights</th>
<th>Eau de Paris’ Management Board</th>
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<tbody>
<tr>
<td>10 elected representatives from the Council of Paris</td>
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<tr>
<td>2 employees representing Eau de Paris’ staff</td>
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<th>Administrators with consultative rights</th>
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<td>5 administrators:</td>
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<td>3 representatives for the civil society: one of French largest consumer association, a nation-wide environmental association and a representative from the “Observatoire”</td>
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<tr>
<td>water expert from a national water research centre</td>
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<td>expert on water governance and participatory methods</td>
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Offer the highest quality service at the lowest possible price

- Economic gains thanks to the new service organisation
  Profit margin projected at **35 M€ per annum** as a direct result of the reform (no dividends issued, optimised efficiency due to consolidation, tax exemptions)

- 8% reduction in water tariffs (1 July 2011)
  - Opposite trend between 1985 and 2008 with a 260% raise in prices
  - A **saving of 76 M€ for water users** between 2011-2015 as a result of the 8% price reduction
  - Water price: **0,9627€/m³**, well below National average

- High standards maintained
  - High level of investments (70M€ per annum)
  - Ambitious water resource conservation policy
  - Improved service efficiency
Offer the highest quality service at the lowest possible price

- Reduction in water tariffs following the reform

1985: water distribution delegated to the private sector

2010: re-municipalization

8% reduction

1985: inflation
Offer the highest quality service at the lowest possible price

- 25% decrease in water consumption over a 25-year period
  (~ 1.4% per annum)

Graph showing:
- Water consumption
- Water distributed
- Network efficiency

X-axis: Year (1985 to 2005)
Y-axis: Volume (million m³)
Y-axis: Network efficiency (%)
Guarantee the Right to water for all

❖ Preventive measures
  ▪ **Price subsidy** for 41,000 beneficiaries in 2010, receiving an average of 70€ per annum
  ▪ Supply and installation of 15,000 **water economisers** (savings of 100 € on energy and water bills annually, water consumption reduced by approximately 15%)

❖ Curative measures
  ▪ In 2011 Eau de Paris doubled its contribution from 250,000 € to 500,000 € to the Housing Solidarity Fund which is responsible for issuing **financial benefits** to users encountering difficulties to pay their water bills
  
  5,500 beneficiaries in 2010 receiving an average of 80 € per annum under this programme

❖ Access to water for the marginalised
  ▪ Water supply maintained in **squats** until a legal eviction notice has been passed and provided an agreement has been signed between Eau de Paris and the squatters
  ▪ Increase **free access to water and sanitation on the streets** (drinking water fountains, toilets), distribution of flasks and jerry cans as well as maps with water spots
Dans Paris, dégustez une eau de qualité grâce aux fontaines mises à votre disposition 24h/24, 7j/7, sur la voie publique et dans les bois. Des fontaines sont également accessibles dans les parcs, jardins, squares et les cimetières aux heures d’ouverture.
Conclusion: an innovative public approach to water service management

❖ Commitments to our water users...

- Offer the highest quality service at the lowest possible price
- Guarantee the Right to water for all Parisians regardless of circumstances through a social support mechanism
- Putting water users at the heart of the service: offer services of the highest standards that meet users’ expectations and assimilate users in the governance process

❖ ... keeping in mind the following objectives:

- Environmental objective: manage responsibly vital and endangered water resources
- Democratic objective: monitor the management of the service closely
- Economic objective: financial transparency and cost control